

Old India: Millions of Indians continue to live in poverty in slums like this one in Mumbai.



A Tale of Two Indias

To get to 15-year-old Vikas Sharma's home in Bangalore, you have to travel along a narrow dusty lane, then climb a steep flight of stairs that's draped with a neighbor's drying laundry. Inside the tiny apartment, the bedroom Vikas shares with his younger brother is so small there's barely room for the bed and the table where the two boys study.

It may sound sparse, but the Sharma family has already come a long way. Seven years ago, they moved to Bangalore—a rapidly growing city often referred to as India's "Silicon Valley"—from a tiny impoverished village in the northern state of Bihar, where there was no running water or reliable electricity. There was also no English-language school.

"My parents wanted us to join an English school and make our future in the big city," explains Vikas. Most Indians consider mastery of English, used in business and

government, to be essential for success.

The Sharma family is among the millions of Indians who are moving out of poverty and into the middle class, as India's economy continues to soar. They represent a bridge between two vastly different Indias: The India they've left behind is largely agricultural, uneducated, and very poor; the new India they're grasping at has a vibrant economy with an expanding high-tech sector and is rapidly becoming a global economic power.

"You have striking growth and progress and terrible poverty and lack of progress in the same country," says Isobel Coleman of the Council on Foreign Relations.

World's Largest Democracy

Modern India was born in 1947, when it gained independence from its longtime colonial ruler, Great Britain. (The British partitioned the country into Hindu-majority India and the Muslim country of Pakistan.)

For more than four decades after independence, India's economy was heavily controlled by its socialist government, which meant little progress was made in tackling the country's crippling poverty.

But in 1991, the government began turning away from socialism, loosening regulations, opening India to foreign investment, and adopting other free-market practices. The economy took off. In the 20 years since, the ranks of the middle class have more than doubled, and India has started playing a much larger role on the global stage.

"In Asia and around the world, India is not simply emerging," said President Obama during his trip to India in November. "India has emerged."

In recognition of India's rise, Obama pledged U.S. support for India's bid for a permanent seat on the United Nations Security Council.

With a population of 1.2 billion, India is the world's second-largest country, after

PHOTO BY JONAS BENDIKSEN/MAGNUM

JASON LARKIN/GETTY IMAGES (OFFICE WORKER); EPA/CORBIS (MANA, CARI); NAMAS BHUJANI (VIKAS SHARMA)



New India: As many as 200 million Indians have moved into the middle class; near left, a young office worker in Mumbai; and Tata Motors' Nano car, which sells for \$2,900.

One of the fastest-growing countries in the world, India is emerging as a major global power. But huge challenges remain.

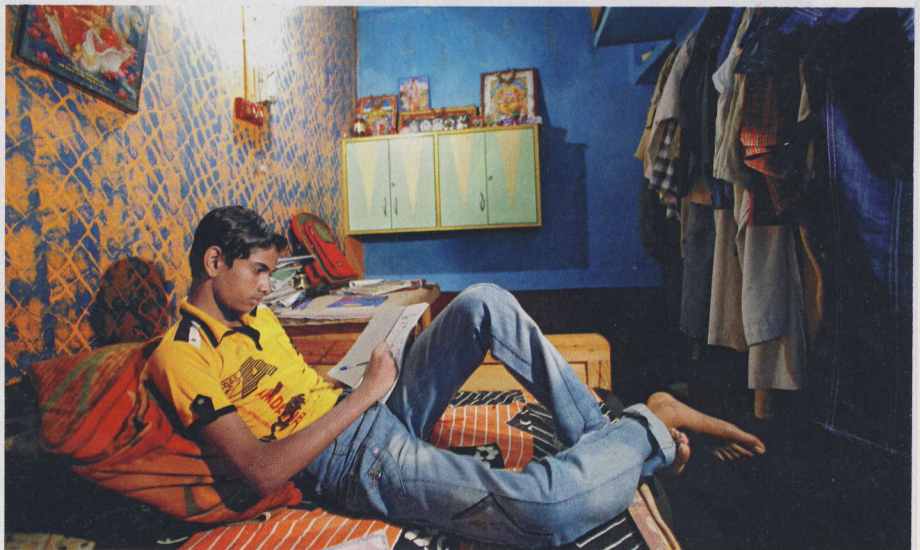
BY PATRICIA SMITH

China, and the world's largest democracy. Indeed, India is now seen by many as the other rising global power—along with China—that the United States will have to compete with in the decades ahead.

“If it looks like China is a decade ahead of India, that’s because it is: China started its reforms in 1979; India only started reforming in 1991,” says Sebastian Mallaby of the Council on Foreign Relations. “You’d expect that advantage to erode as the years go on.”

Living on \$2 a Day

Another reason India’s rise has been slower than China’s is its democratic, but chaotic, system of government. China’s authoritarian regime can pretty much move mountains to make way for new factories or power plants or cities as it sees fit, without

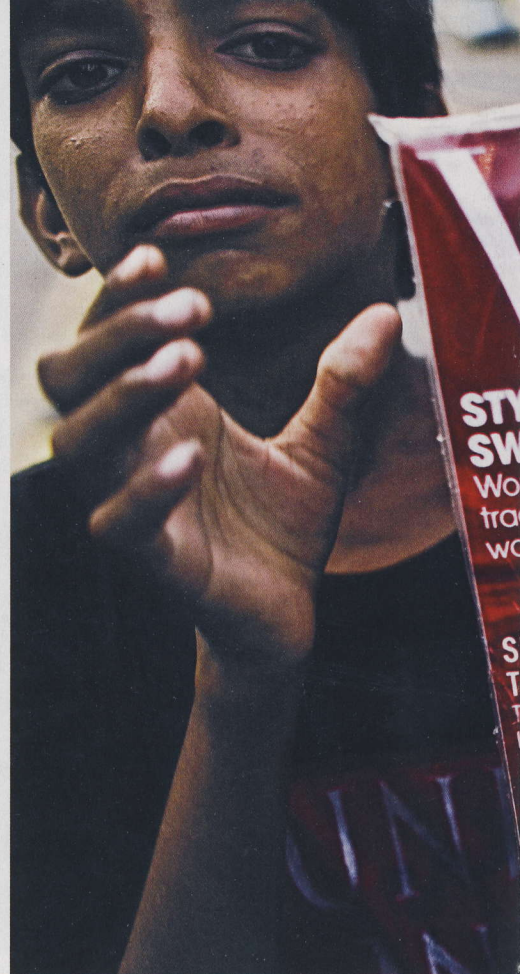


Vikas Sharma, 15, doing his homework at home in Bangalore. Like millions of other Indians, his parents moved from the countryside to the city to give their kids a chance to participate in India’s booming economy and join the growing ranks of the middle class.

With reporting by Sheryl Gay Stolberg and Jim Yardley of *The New York Times*.

JASON LARKIN/GETTY IMAGES (OFFICE WORKER); EPA/CORBIS (NANA CAR); NAMAS BHOJANI (VIKAS SHARMA)

Global Influence: In New Delhi, street hawkers sell the Indian edition of *Vogue* (near right) and a cow wanders past a McDonald's.



India at a Glance A look at India today, compared to the U.S.

	India	U.S.
Population	1.2 billion	309 million
Per capita G.D.P.	\$3,200	\$46,000
Literacy rate	61%	99%
Average number of years a child spends in school	10 years	16 years
Number of cellphones	670 million	270 million
Internet users	81 million	231 million

SOURCE: WORLD FACTBOOK 2010 (C.I.A.)



having to worry about opposition—China's people know how dangerous that can be. But in India, as in other democracies, competing interests and politics slow the pace of change—or sometimes block it altogether.

More than a third of Indians are illiterate, and India's education system is stymied by corruption and incompetence. The country's infrastructure—its roads, bridges, airports, and railroads—needs drastic improvement. To keep pace with the millions of Indians who are migrating to cities in search of better lives—590 million by 2030, according to the McKinsey Global Institute—India should be building the equivalent of a city the size of Chicago every year. And that kind of development just isn't happening.

At the same time, India remains a country of extreme poverty. About 40 percent of Indians live on less than \$1.25 a day, and almost 70 percent live on \$2 a day or less, according to the World Bank.

Another challenge is India's caste system, which goes back to the ancient origins of Hinduism, the country's majority religion. The rules governing caste are brutally simple: If you are born into a high caste like the

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ZACKARY CANEPARI, THE NEW YORK TIMES/REDUX (CHILD SELLING MAGAZINES); DOUGLAS E. CURRAN/AFP VIA NEWS.COM (COW)

priestly caste, you can be a priest or do other kinds of white-collar work. Being born into a lower caste might relegate you to life as a carpenter or a toilet cleaner. India's constitution outlawed caste discrimination in 1950, and its Congress later set quotas for members of lower castes in schools, state-owned firms, and government ministries. But caste discrimination persists, especially in rural areas.

Despite all these challenges, India continues to grow at an impressive pace—the only major economy growing faster is China. By 2020, India's middle class will be 500 million strong, according to McKinsey.

Outsourcing U.S. Jobs

“When you grow at 9 percent a year, year after year, you pull tens of millions of people out of poverty,” says Sadanand Dhume, an Indian journalist who is writing a book on the country's middle class.

The change has been striking. There are thousands more cars on the road every week, and now an Indian company is selling a tiny car called the Nano for just \$2,900. In big cities, construction is everywhere, and

shopping malls are opening everywhere. “Some of the statistics are mind-boggling,” says Ulrich Bartsch, the senior economist in the World Bank's India office. “From basically zero 10 years ago, India now has 500 million cellphones. You can go to rural areas in the middle of nowhere—the desert in Rajasthan—and your BlackBerry works.”

Many international companies are setting up factories and offices in India to take advantage of its large pool of English speakers and comparatively low wages. (American companies operating in India is the premise for the NBC sitcom *Outsourced*, about a Kansas City company that moves most of its jobs to India and sends an American to run its operation.)

American tech companies have been operating call centers in India for years. Now companies like Microsoft and Yahoo are also setting up research facilities in India, with Indians doing the kind of advanced technical work that until recently was done in the U.S.

The Sharma family has directly benefited from the country's rapid growth. Vikas's father, who builds furniture for new homes,

dropped out of school when he was young. His mother, who never went to school, now works as a seamstress in a garment factory. Neither speaks English. They migrated to Bangalore in the hope that educating their children would provide a way out of poverty. “We came to Bangalore to change our lives,” says Vikas's mother.

Both parents are proud that they've never missed a payment for their sons' school. And no one goes hungry, even if there are days when they can afford only lentils and rice.

Vikas, who is in ninth grade, is doing his part. He studies hard and often gets the highest grades in his class. In particular, he excels at biology. He hopes to be a doctor someday.

“I want to work hard and make my parents proud,” he says.

His drive for success is part of what is pulling India toward prosperity.

“There's still a very large bad-news element in India, but the good-news part of the picture has been growing over time,” says Dhume, the journalist. “The consensus view over the past 10 years has certainly shifted more and more toward the people who say yes, India *can* overcome its problems.” ●